

FOOD FAIR PROPERTIES, INC.

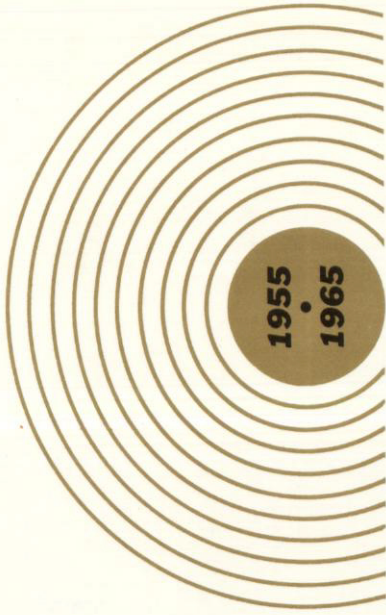
Annual Report 1965



OFFICERS & DIRECTORS

SAMUEL FRIEDLAND
JACK M. FRIEDLAND
NORMAN M. KRANZDORF
SAMUEL STEIN
EDWARD MANN
D. FREDERICK BARTON
GEORGE FRIEDLAND
HESS KLINE
WILLIAM G. KURTZ, JR.
MYER B. MARCUS
ARTHUR S. ROSENBERG
LOUIS STEIN
LEOBE CHAIMSON
RICHARD K. RASKIN

President and Director
Vice President and Director
Vice President and General Manager
Treasurer
Secretary
Director
Director
Director
Director
Director
Director
Director
Director and Chairman of Finance Committee
Assistant Secretary
Assistant Secretary



A DECADE OF PROGRESS



EXECUTIVE OFFICES

GENERAL COUNSEL

TRANSFER AGENT

3175 John F. Kennedy Boulevard, Philadelphia, Pa. 19104

Stein Abrams & Rosen, 522 Fifth Avenue, New York, N. Y. 10036

Registrar & Transfer Co., 15 Exchange Place, Jersey City, N. J. 07302

FOOD FAIR PROPERTIES, INC. / Annual Report

1965 1964
(Year ended December 31)

HIGHLIGHTS

Total Income	\$10,825,794	\$10,254,680
Cash Flow*	\$ 3,097,634	\$ 2,919,248
Permanent mortgage amortization paid from cash flow	\$ 1,688,472	\$ 1,535,133
Income before depreciation	\$ 3,104,624	\$ 2,924,899
Depreciation charged to expense	\$ 2,438,501	\$ 2,282,040
Net income	\$ 436,124	\$ 427,678
Number of centers in full operation	37	36
Number of centers in partial operation or under construction	4	3
Gross rentable area in operation	5,600,000 sq. ft.	5,400,000 sq. ft.

*Represents net income plus depreciation and deferred taxes on income

ANNUAL MEETING

The annual meeting of shareholders of Food Fair Properties, Inc. will be held on Tuesday, May 17, 1966, at 2 P. M., Eastern Daylight Time, in the Meeting Room of the Food Fair Building, 3175 John F. Kennedy Boulevard, Philadelphia, Pa. Shareholders are cordially invited to attend.

A formal notice of the meeting, a proxy, and a proxy statement are enclosed. Shareholders unable to attend are urged to date, sign, and return the proxy promptly so as to be assured of representation at the meeting.

To Our Shareholders

This annual report is a memorable one for me. The year 1965 marked the completion of your Company's first ten years of shopping center development and operation. It also saw the achievement of new highs in total income, net income, and cash flow.

At the end of 1965, Food Fair Properties had 37 centers in full operation. Upon completion of four others, partially open or under construction, the total shopping center complex will comprise more than 900 retail stores—almost six million square feet of space—with a value exceeding \$100 million.

During the year, Ward Plaza, Bradenton, Florida, joined the list of centers in full operation. Construction progressed rapidly at Beloit Plaza, Beloit, Wisconsin, with the first section opening last summer, and with the balance of the center scheduled to open this month. We also started construction of the first section of two centers—Fields Plaza, Parsippany-Troy Hills, New Jersey, and Kingston Shopping Center, Kingston, New York. As in the past, leasing arrangements with major tenants who normally lease approximately two-thirds of the available rental space, were completed prior to the beginning of construction. We also are formulating plans for three new closed-mall, air-conditioned regional centers, and several new strip centers.

I should like to note here that your Company's centers have an occupancy rate of 97 percent—among the highest in the nation.

During the year, your Company continued to reduce its permanent mortgage indebtedness and increase

shareholder equity in its shopping centers. Since the founding of the Company, over \$8.5 million of such permanent indebtedness has been repaid.

The year 1965 saw us add new dimensions to the diversification of our operations. During the year we entered into a joint venture for the sub-division of three tracts of land for sale to builders; we explored several new areas which seem excellent prospects for new urban development centers, similar to Newark Plaza.

We have continued our program of further modernizing older centers and expanding existing centers through the utilization of contiguous undeveloped land.

By all standards, our first ten years of operation must be recorded as a decade of progress. During this period, through sound financing, sound development and sound operation, your Company has become the nation's largest publicly-held shopping center developer.

We should like to extend sincere thanks to our tenants, business associates, employees, and shareholders for their continuing support and cooperation. The management of your Company looks forward to another year, and many more decades, of progress.

Sincerely,



Samuel Friedland,
President

April 20, 1966



A DECADE OF PROGRESS

INCOME AT NEW HIGH

Rental income of Food Fair Properties, Inc. continued its upward spiral in 1965 and amounted to a record \$10,113,787. This is an increase of 5.4% over the previous record high of \$9,598,954 reported in 1964.

Profits from the sale of land in 1965 amounted to \$395,192, compared with \$409,507 in 1964. The sale of land is incidental to our principal business of developing and operating shopping centers. However, when your Company acquires property for a new shopping center, there often is included excess land not needed for the retail development. This excess land, however, usually is attractive for other types of development and may result in profitable resale.

Total income in 1965, including land sale profits and related items, rose to \$10,825,794, an increase of 5.6% over the record high of \$10,254,680 in the previous year.

Net income for the year just ended also was at a new high level. After deducting non-cash charges against income, including depreciation and provision for deferred income taxes, which amounted to \$2,661,510, net income increased to \$436,124. This is a gain of 2.0% over net income of \$427,678 for 1964.

In computing federal income taxes, your Company has elected for certain of the properties to utilize accelerated depreciation, in accordance with Internal Revenue Service regulations. The tax liability in the financial statements, computed on the basis of straight line depreciation, appears as a reserve for deferred income taxes. No federal income taxes were payable on 1965 income.

CASH FLOW RISE CONTINUES

One of the particularly important items in evaluating a real estate development company is the cash flow the company is able to generate. A progressively increasing cash flow assures debt retirement, thus strengthening the company and increasing shareholder equity. Cash flow also furnishes additional funds for the acquisition and development of new property and for working capital.

Reflecting the rise in revenues and the increased depreciation derived from additional properties, your Company's cash flow rose in 1965 to a record high of \$3,097,634, compared to \$2,919,248 in 1964.

DIVERSIFICATION

During 1965, your Company broadened the scope of its operations to take advantage of the opportunities in the present home-building market. In conjunction with experienced residential developers and mortgage specialists, we entered into a joint venture acquiring interests in land in the New Jersey communities of Delran, Shrewsbury, and Brielle. This land now is being sold, in wholesale lots, to housing developers in those areas.

Similarly, with the steadily increasing activity and interest in urban development programs, your Company constantly is studying proposals preparatory to submitting bids in areas where such projects are anticipated. Three of these projects currently are being considered in the mid-Atlantic area. In addition to the retail complexes, these projects will contain high-



rise apartments, office buildings, theaters, and other community recreational facilities.

NEWARK PLAZA ADVANCES

In our annual report for 1964, we announced your Company's appointment by the City of Newark, New Jersey, as the developer of the Newark Plaza Redevelopment Program. This project is being undertaken in conjunction with two other experienced urban renewal developers. Our most ambitious undertaking to date, this project will comprise 22 acres in the heart of the city and will contain, in the initial stage, a high-rise office building, a motel, an 800-seat theater, and commercial retail buildings. Since that time, we have been making steady, deliberate progress with Newark Plaza. Feasibility studies and preliminary architectural plans have been completed. We also have started negotiations with prospective tenants, and in this connection we have appointed one of New Jersey's leading real estate organizations, Feist & Feist, Newark, as rental agents for the center.

SHOPPING CENTER PROMOTION

Food Fair Properties, from its very inception, has played an active and creative role in guiding and supporting the promotion of its shopping centers. Working with merchants' associations and advertising agencies, your Company's public relations department makes available its various resources and skills. Through a monthly newsletter and bulletins, promotional ideas, procedural and operational suggestions are circulated for the benefit of our tenants. The combined promotional efforts are

devoted to generating additional traffic, enhancing the prestige of our centers, and, ultimately, exerting an appreciable effect on our tenants' sales.

MALL-TYPE CENTERS PLANNED

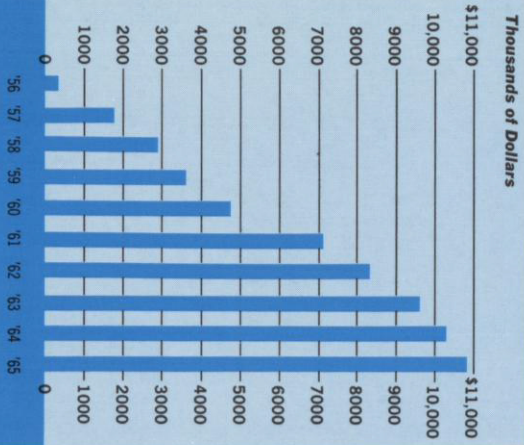
In keeping with the trend to the large enclosed-mall regional centers, your Company is formulating plans for three such centers to be built in Florida, the first of which, and the most advanced, is in St. Petersburg. This is a 66-acre project with a total of 750,000 square feet of selling space. Included among the tenants will be a J. M. Fields Discount Department Store; three other department stores; a complete retail complex; plus a 15-story office tower and medical buildings; a lakefront restaurant; three high-rise apartment buildings, and an industrial research center. The new regional center will be adjacent to our Crossroads Shopping Center and opposite a planned Sears, Roebuck department store.

EXPANSION-MODERNIZATION

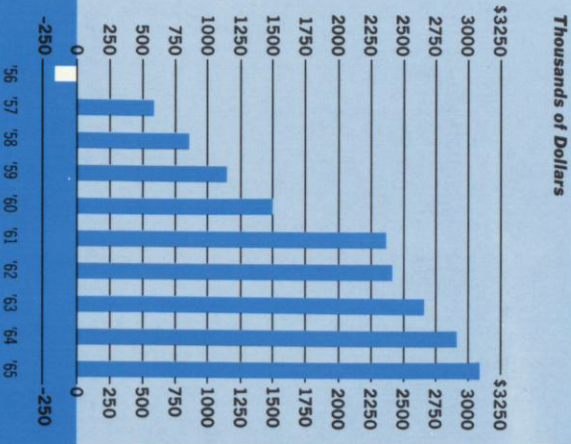
Another section of Beloit Plaza, a regional shopping center in Beloit, Wisconsin, is scheduled to open in the latter part of April. This section, containing some 30 stores, will include J. C. Penney, Woolworth, and Walgreen Drugs. Sears, Roebuck and Kohl Markets, comprising one-third of the Plaza's 320,000 square feet of space, already are in operation. An additional 80,000 square feet of rentable area are planned for the near future.

During 1965, your Company continued its aggressive program to maintain and assure high operational standards among its

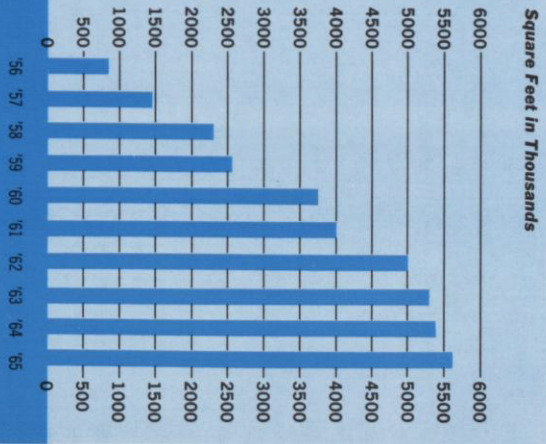
TOTAL INCOME



CASH FLOW



GROSS RENTABLE AREA

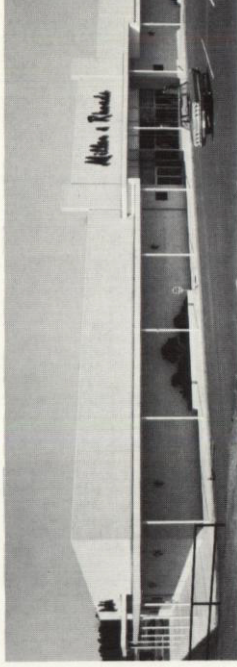


During 1965, 130,000 square feet of additional rentable space were added to existing centers by utilizing land already owned by the Company. Signed leases negotiated in 1965 will add another 105,000 square feet of rentable space in 1966. The photos at right show the types of facilities added or enlarged under this continuing expansion program. ▲

present centers. This program will broaden the types of services and recreational facilities designed to make a shopping center more attractive to the community. In achieving this we provide a total community complex, rather than retailing facilities alone. We are making significant progress in expanding existing centers, without additional land cost, through the profitable utilization of undeveloped land in these centers. This valuable space now is being leased to theaters, banks, department stores, automobile agencies, and other enterprises offering a variety of services. This program resulted in the addition of 130,000 square feet of rentable space to existing centers during 1965.

Additionally, signed leases negotiated in 1965 under this program will add another 105,000 square feet of rentable space in 1966.

While constantly maintaining, modernizing and improving the physical appearance of the centers, your Company also is alert to new and better methods of handling its administrative functions. To this end, during 1965 we began transferring many accounting procedures to electronic computers which will provide management with quick, detailed, accurate information.





A DECADE OF PROGRESS

NEW VICE PRESIDENT AND GENERAL MANAGER

On April 15, 1965, your Company's board of directors elected Norman M. Krantzdorf as the new vice president and general manager of Food Fair Properties. Mr. Krantzdorf has been on the administrative staff of your Company since its earliest days, serving as resident counsel, and, in 1958, was elected assistant corporate secretary.

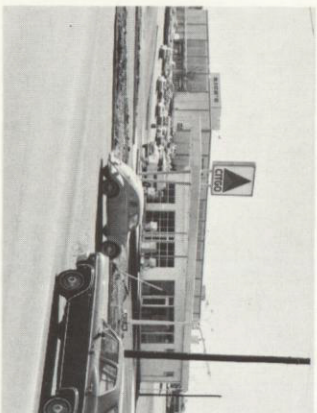
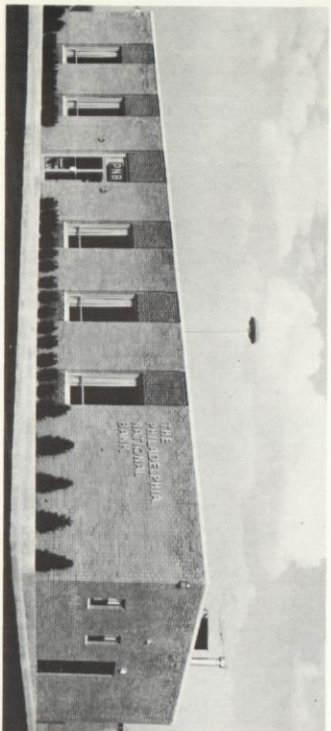
FINANCING

During 1965, your Company received previously committed mortgage funds in the amount of \$2,715,000. Total mortgages outstanding at the close of 1965 amounted to \$54,179,361, compared with \$53,310,500 the previous year. Mortgage reductions in 1965 amounted to \$1,688,500, as against \$1,535,000 in 1964. In the ten years your Company has been operating, permanent mortgage reductions have amounted to \$8,566,000. In addition, a \$5.5 million term loan, used to finance additional construction in our shopping centers, was reduced to \$4.75 million during the year.

CAPITALIZATION

At the end of 1965, there were outstanding 20,000 shares of 6% cumulative preferred stock and 7,621,899 shares of common stock. Dividends totalling \$120,000 were paid on the preferred stock during the year.

There were approximately 12,000 shareholders on December 31, 1965.





A DECADE
OF PROGRESS

CONSOLIDATED STATEMENT OF

FINANCIAL CONDITION

Food Fair Properties, Inc. and Subsidiaries

	DECEMBER 31, 1965	DECEMBER 31, 1964
Cash.....	\$ 283,706	\$ 331,987
Mortgages, notes and accounts receivable (Note 4).....	4,490,414	4,496,824
Investments and advances:		
Associated companies, 50% owned, at cost.....	169,050	59,858
Joint ventures, at cost adjusted for current operations.....	279,338	
Property and equipment, at cost:		
Land (Note 1).....	12,669,948	12,856,871
Buildings, less accumulated depreciation, 1965, \$14,160,925; 1964, \$11,794,300.....	69,394,216	68,897,969
Fixtures and leasehold improvements, less accumulated depreciation, 1965, \$261,374; 1964, \$214,255.....	356,849	348,360
Construction in progress (Note 2).....	5,702,493	3,113,019
Deferred charges and other assets:		
Unamortized bond discount and expense.....	1,894,741	2,110,420
Deposits (Note 3).....	853,858	854,265
Miscellaneous.....	1,357,479	1,412,296
Total assets.....	<u>\$97,452,092</u>	<u>\$94,481,869</u>
Notes payable, banks (Notes 5 and 8).....	\$12,800,483	\$10,833,625
Notes payable, others.....	440,000	1,190,771
Accounts payable for construction.....	840,478	462,356
Accrued interest payable.....	465,338	408,699
Other accounts payable and accrued expenses.....	219,352	175,210
Tenants' indemnity deposits.....	256,412	260,481
Deposits on sale of land (Note 1).....	174,270	55,500
Mortgages payable (approximate amount due within one year, 1965, \$3,597,027; 1964, \$3,133,464) (Note 1).....	54,179,361	53,310,500
Deferred Federal and state income taxes payable (relating to accelerated depreciation).....	1,146,064	923,055
Twenty-year 5½% subordinated debentures, due September 15, 1975, net of bonds reacquired and held in treasury, 1965, \$171,250; 1964, \$136,200 (Notes 5 and 8).....	7,436,450	7,501,450
Twenty-five year 6% collateral trust bonds, due June 15, 1984, net of bonds reacquired and held in treasury, 1965, \$222,000; 1964, \$131,000 (Note 6)	6,675,000	6,900,000
Deferred rental income.....	554,398	533,346
Total liabilities.....	<u>\$85,187,606</u>	<u>\$82,554,993</u>
Minority stockholders' interest in subsidiary.....		\$ 6,731
Capital stock:		
6% cumulative preferred, par value \$100; authorized, issued and outstanding 20,000 shares.....	\$ 2,000,000	\$ 2,000,000
Common, par value 1¢; authorized 12,500,000 shares; issued and outstanding, 1965, 7,621,899 shares; 1964, 7,591,899 shares (Notes 9 and 10).....	76,219	75,919
Capital in excess of par value.....	9,122,381	9,094,464
Retained earnings (Note 8).....	1,065,886	749,762
Total stockholders' equity.....	<u>\$12,264,486</u>	<u>\$11,920,145</u>
Total liabilities and stockholders' equity.....	<u>\$97,452,092</u>	<u>\$94,481,869</u>

ASSETS:

LIABILITIES:

STOCK- HOLDERS' EQUITY:

See notes to financial statements.



CONSOLIDATED STATEMENT OF
OPERATIONS

Food Fair Properties, Inc. and Subsidiaries

	Year ended December 31,	
	1965	1964
Rents.....	\$10,113,787	\$ 9,598,954
Interest.....	189,354	166,670
Profit on sale of land.....	395,192	409,507
Miscellaneous.....	127,461	79,549
Total income.....	<u>\$10,825,794</u>	<u>\$10,254,680</u>
Expenses exclusive of depreciation:		
Interest.....	\$ 4,438,457	\$ 4,476,938
Amortization of bond discount and expenses.....	155,011	158,494
Rents.....	310,896	265,803
Real estate taxes.....	1,473,988	1,347,347
Other.....	1,958,210	2,098,065
	<u>\$ 8,336,562</u>	<u>\$ 8,346,647</u>
Less amounts transferred to property accounts for acquisition, construction and carrying charges.....	615,392	1,016,866
Net expenses exclusive of depreciation.....	<u>\$ 7,721,170</u>	<u>\$ 7,329,781</u>
Income before depreciation.....	\$ 3,104,624	\$ 2,924,899
Depreciation.....	2,438,501	2,282,040
Income before taxes on income.....	\$ 666,123	\$ 642,859
Taxes on income.....	229,999	215,181
Net income.....	<u>\$ 436,124</u>	<u>\$ 427,678</u>

See notes to financial statements.



CONSOLIDATED STATEMENT OF

CAPITAL IN EXCESS OF PAR VALUE

Food Fair Properties, Inc. and Subsidiaries

	Year ended December 31, 1965	1964
Balance at beginning of year.....	\$ 9,094,464	\$ 9,079,614
Excess of proceeds received over par value of common stock issued upon exercise of stock options.....	29,700	14,850
	<u>\$ 9,124,164</u>	<u>\$ 9,094,464</u>
Less costs incident to registering warrants to purchase common stock (Note 10).....	1,783	
Balance at end of year.....	<u>\$ 9,122,381</u>	<u>\$ 9,094,464</u>

CONSOLIDATED STATEMENT OF

RETAINED EARNINGS

Balance at beginning of year.....	\$ 749,762	\$ 442,084
Net income for the year.....	436,124	427,678
	<u>\$ 1,185,886</u>	<u>\$ 869,762</u>
Less cash dividends paid on preferred stock.....	120,000	120,000
Balance at end of year.....	<u>\$ 1,065,886</u>	<u>\$ 749,762</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

The following notes are applicable to the financial statements at December 31, 1965. Reference is made to previously issued report for the notes applicable to the statements as at December 31, 1964.

1—DEPOSITS ON SALE OF LAND: These deposits are in connection with agreements for the sale of certain land at approximately \$190,000 in excess of cost. Of total proceeds approximating \$846,000 realized on such sales consummated to March 22, 1966, approximately \$710,000 was applied to reduce mortgage indebtedness.

2—CONSTRUCTION IN PROGRESS: This represents expenditures for construction of shopping centers, the cost of which, when completed, will approximate \$8,000,000.

3—DEPOSITS: Deposits include \$850,000 held in escrow, pursuant to a ground lease agreement, in connection with a mortgage loan to the Company on both land and buildings.

4—MORTGAGES, NOTES AND ACCOUNTS RECEIVABLE: This amount includes a receivable of \$1,623,584 from Major Realty Corporation for principal which was due December 1, 1965, plus interest of \$14,380 accrued to December 31, 1965. Certain property and assets of Major are pledged as collateral, which in the opinion of management, fully secures the advances. No material amount has been received on either principal or interest since December 31, 1965.

5—TWENTY-YEAR 5½% SUBORDINATED DEBENTURES: These debentures are subject to redemption through sinking fund provisions. The Company is required to redeem annually the lesser of \$150,000 principal amount of debentures, or 10% of consolidated net income for the next preceding year, after deduction for dividends on the 6% preferred stock. The bonds reacquired and held in treasury may be used to satisfy sinking fund requirements, which in 1966 will approximate \$31,600. These debentures are subordinated to unsecured bank or construction loans.

Debentures of \$103,000, reacquired and held in treasury, are pledged as security for the Company's performance under a mortgage commitment.

6—TWENTY-FIVE YEAR 6% COLLATERAL TRUST BONDS: These bonds are

secured by a joint and several mortgage on four shopping centers.

These bonds require semi-annual sinking fund payments, as follows: through June 15, 1966, \$67,000; thereafter, through June 15, 1971, \$90,000; thereafter, through June 15, 1976, \$121,000; thereafter, through June 15, 1981, \$162,000; thereafter, through December 1983, \$204,000.

Bonds reacquired and held in treasury may be used to satisfy sinking fund requirements.

7—LONG-TERM LEASE COMMITMENTS AND CONTINGENCIES: Under various lease commitments, the earliest of which expires in 1974, the Company is obligated to pay annual rentals totalling \$261,751 plus real estate taxes and other expenses.

The Company from time to time is involved in litigation, incidental to its business. Several such lawsuits are now pending, and, in the opinion of counsel for the Company and management, will not materially affect its financial condition.

8—RESTRICTIONS TO RETAINED EARNINGS: The agreements relating to the twenty-year 5½% subordinated debentures, and to certain notes payable, bank, contain provisions restricting the payment of cash dividends on common stock, and the redemption of any shares of capital stock. As of December 31, 1965, \$623,802 of consolidated retained earnings were not restricted.

9—OPTIONS TO PURCHASE COMMON STOCK: On May 4, 1961, the Company granted to a key employee an option to purchase, subject to certain conditions, a total of 10,000 shares of common stock at \$3.625 per share (representing 85% of the fair market value on said date). The option may be exercised to the extent of 2,000 shares per year, but not later than May 3, 1966, when it expires. To December 31, 1965, the option had not been exercised.

10—WARRANTS TO PURCHASE COMMON STOCK: Warrants to purchase 750,000 shares of common stock, at \$3.50 per share through June 15, 1969, were sold during June, 1959, in connection with the sale of \$7,500,000 of 6% collateral trust bonds, due June 15, 1984. Warrants to purchase 1,560 shares were exercised to December 31, 1965, and warrants to purchase 748,440 shares are outstanding.

LAVENTHOL, KREKSTEIN, GRIFFITH & CO.

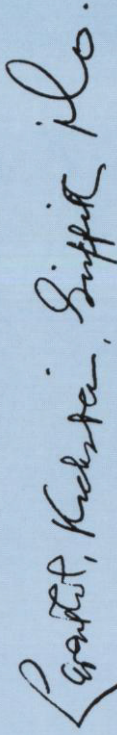
Certified Public Accountants

1528 WALNUT STREET
PHILADELPHIA, PA. 19102

Food Fair Properties, Inc.
Philadelphia, Pa.

We have examined the consolidated statement of financial condition of Food Fair Properties, Inc. and subsidiaries as at December 31, 1965, and the related consolidated statements of operations, capital in excess of par value and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the year ended December 31, 1964.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of the companies at December 31, 1965, and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Philadelphia, Pa.
March 22, 1966

Certified Public Accountants

NEW YORK • PHILADELPHIA • HARRISBURG • WILKES-BARRE • LEWISTOWN

**A DECADE
OF PROGRESS**



SHOPPING CENTERS FOOD FAIR PROPERTIES, INC. (as of December 31, 1965) IN FULL OPERATION

CONNECTICUT
Bayview Shopping Center, Bridgeport

Boston Avenue Shopping Center, Stratford

Colony Shopping Plaza, Wallingford

FLORIDA

Crossroads Shopping Center, St. Petersburg
Edgewater Shopping Center, Orlando
Merritt Island Shopping Center,
Merritt Island, Cocoa

Norwood Shopping Center, Miami
163rd Street Shopping Center, Miami
Phillips Highway Plaza, Jacksonville

Ward Plaza, Bradenton
West Hollywood Shopping Plaza,
West Hollywood

GEORGIA

Cobb County Center, Atlanta

VIRGINIA
Walnut Hill Plaza, Petersburg

MARYLAND

Arbutus Shopping Plaza, Baltimore
Brooklyn Park Plaza, Brooklyn Park

Eudwood Plaza, Baltimore
Liberty Road Shopping Center, Baltimore

Reisterstown Road Plaza, Baltimore

NEW JERSEY

Colonia Shopping Center, Colonia
Ellisburg Circle Shopping Center, Delaware Twp.

Middletown Shopping Center, Middletown

Route 18 Shopping Center, Old Bridge
Stratford Shopping Center, Stratford

NEW YORK

Baldwin Shopping Center, Baldwin, Long Island

Pearl River Shopping Center, Pearl River

PENNSYLVANIA

Abington Shopping Center, Abington
Cloisters Shopping Center, Ephrata
Colonial Park Plaza, Harrisburg
Feasterville Plaza, Feasterville
Flourtown Shopping Center, Flourtown

Keyser-Oak Plaza, Scranton
Lancaster Shopping Center, Lancaster
Lawrence Park Shopping Center, Broomall
Parkway Shopping Center, Allentown

Pennypack Circle Shopping Center,
Philadelphia
Shillington Shopping Center, Shillington
Stefko Boulevard Shopping Center,
Bethlehem

Partially Open Or Under Construction

NEW JERSEY

Fields Plaza, Parsippany-Troy Hills

NEW YORK

Kingston Shopping Center, Kingston


PENNSYLVANIA

Stadium Shopping Center, Scranton

WISCONSIN

Beloit Plaza, Beloit



 **FOOD FAIR PROPERTIES, INC.**